

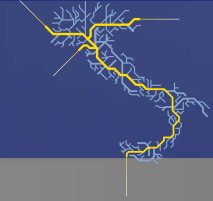


Snam
Rete Gas

A stylized map of Italy is shown, with a network of gas pipelines overlaid. The main pipeline is highlighted in yellow, while the rest of the network is shown in light blue. The map is set against a white background with a dark blue header and footer.

SRG SUMMARY OF AEEG DELIBERA n. 166/2005

2nd August 2005



Stability and Transparency

- 4-year from Oct. 2005 to Sept. 2009
- RAB based on Re-valuated Historical Cost methodology

Allowed return

- 6.7% WACC real pre tax, based on CAPM methodology

Growth incentives

- On injected gas volumes
- On new investments

Efficiency targets

- RPI-X methodology

1st reg. period benefits retention

- Claw-back mechanism
- Commodity overlap on 2001-2004 development capex

Long term visibility

- Impact on the following regulatory periods
 - incentives on new investment up to 15 years
 - retention of operating efficiency gains



Regulatory Asset Base (RAB)

- Calculation methodology confirmed
- Working capital included

Allowed Return (WACC)

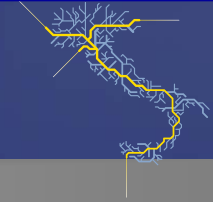
- Fixed equal to **6,7% in real terms pre-tax** based on
 - Beta unlevered equal to 0,38*
 - Leverage (D/E) equal to 0,7*

*SRG estimates; to be confirmed by AEEG technical report



Incentives on new investments

- Different **premium** above allowed return and depreciation by categories and duration:
 - **1%** for **5 years** for investments on safety, quality and market support
 - **2%** for **7 years** for development of regional network
 - **2%** for **10 years** for development of national network
 - **3%** for **10 years** plus **operating costs** for development of national network related to import capacity
 - **3%** for **15 years** plus **operating costs** for development of entry capacity at border
- Return applied on annual **spending**
- 100% **capacity revenues**



(RPI-X) Methodology

- Applied only to Operating Costs and Depreciation

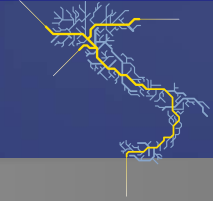
Capacity

- Revenue Cap
- X-factor = 2%

Commodity

- Price Cap
- X-factor = 3.5%

- Return on capital determined by annual updating of RAB_{2004}

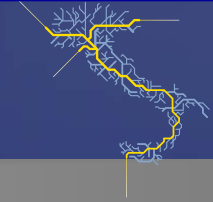


1st Regulatory Period benefits retention

- Retention of 50% of extra efficiency including opex due to 2001-2004 development capex
- Commodity overlap on 2001-2004 development capex

Other issues

- Depreciation of fully depreciated assets is not allowed
- 2004 reference volume fixed at 79,1 bcm



Tariff structure

- Confirmed Entry-Exit system
- Introduction of flexible contracts
- New type of interruptible contracts
- Introduction of metering charge
- Incentives to gas export through specific charges



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SRG SUMMARY

on

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